

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$456,907	(\$226,870,000)	\$249,610	(\$458,278,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$456,907	(\$226,870,000)	\$249,610	(\$458,278,000)

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 1038 amends the Nebraska Revenue Act of 1967 to provide a nonrefundable income tax credit to resident owners of agricultural or horticultural land.

The credit against Nebraska income taxes is for the amount of property taxes paid during the taxable year on agricultural or horticultural land that exceed 5% of the taxpayer's federal adjusted gross income.

LB 1038 is operative for taxable years beginning on or after January 1, 2015.

The Department of Revenue estimates the following fiscal impact to the General Fund:

FY2014-15:	(\$226,870,000)
FY2015-16:	(\$458,278,000)
FY2016-17:	(\$467,444,000)
FY2017-18:	(\$476,792,000)

The Department of Revenue indicates that the changes proposed by LB 913 will require a one-time programming charge of \$70,280 paid to the office of the CIO for mainframe and web development changes. In addition, the Department states they will need to hire contractors to develop a program necessary to validate property tax payments. The CIO estimates the cost of hiring contractors would be \$338,740 for an 18-month development period. The Department would also hire a 1.0 FTE Senior Application Developer for ongoing maintenance of the program, 1.0 FTE Revenue Agent to process the large number of returns claiming the credit. The estimated cost for FY14-15 would be \$456,907 and for FY15-16 would be \$249,610. PSL would be \$85,614 and \$87,541 for each fiscal year respectively.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1038	AM:	AGENCY/POLT. SUB: NE Assoc. of County Officials (NACO)	
REVIEWED BY: Lyn Heaton		DATE: 2/4/2014	PHONE: 402.471.4181
COMMENTS: Concur. No direct fiscal impact on counties.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 1/30/2014				
Approved by: Kim Conroy		Date Prepared: 1/30/2014				
		Phone: 471-5896				
	FY 2014-2015		FY 2015-2016		FY 2016-2017	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$456,907	(\$226,870,000)	\$249,610	(\$458,278,000)	\$122,650	(\$467,444,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$456,907	(\$226,870,000)	\$249,610	(\$458,278,000)	\$122,650	(\$467,444,000)

LB 1038 provides a nonrefundable income tax credit for the amount of property taxes paid during the taxable year by resident owners of agricultural land and horticultural land that exceeds five percent of the individual's federal adjusted gross income.

The estimated reduction to General Fund revenue would be as follows:

FY 2014-15	\$ 226,870,000
FY 2015-16	\$ 458,278,000
FY 2016-17	\$ 467,444,000
FY 2017-18	\$ 476,792,000

The bill becomes operative January 1, 2015.

LB 1038 will require a one-time programming charge of \$70,280 paid to the OCIO for mainframe and web development changes. The Department would need to hire several contractors during the implementation phase of LB 1038 for purposes of developing a program necessary to validate property tax payments. The OCIO estimates the costs of hiring those contractors would be \$388,740 for an 18-month period. The estimated cost includes 1.0 Senior Business Analyst Contractor and 1.0 Senior Application Developer Contractor (listed as Operating Costs on table below). The Department would also need to hire 1.0 FTE Senior Application Developer for ongoing maintenance associated with the program, and 1.0 FTE Revenue Agent to handle the large volume of returns that will claim the credit.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>14-15 FTE</u>	<u>15-16 FTE</u>	<u>16-17 FTE</u>	<u>14-15 Expenditures</u>	<u>15-16 Expenditures</u>	<u>16-17 Expenditures</u>
A07012	IT Applications Developer Senior	1.0	1.0	1.0	\$52,570	\$53,753	\$54,963
X29222	Revenue Agent	1.0	1.0	1.0	\$33,044	\$33,788	\$34,548
Benefits.....					\$28,253	\$28,889	\$29,539
Operating Costs.....					\$333,040	\$133,180	\$3,600
Travel.....							
Capital Outlay.....					\$10,000		
Aid.....							
Capital Improvements.....							
Total.....					\$456,907	\$249,610	\$122,650

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2014

LB⁽¹⁾ 1038

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel

Date Prepared: ⁽⁴⁾ 1/28/2014

Phone: ⁽⁵⁾ 402.434.5660,
ext 225

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 1038 would allow an individual to claim a nonrefundable credit against income tax. The fiscal impact to counties would be non-existent or minimal. Since counties do not receive income taxes, the income tax credit would not have a fiscal impact on counties.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15 EXPENDITURES</u>	<u>2015-16 EXPENDITURES</u>
	<u>14-15</u>	<u>15-16</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____